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FROM THE U.S. MISSION TO THE UN AGENCIES IN ROME

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E.O. 12958: N/A

TAGS: AORC ABUD UNIDROIT

SUBJECT: MEETING OF UNIDROIT FINANCE COMMITTEE

REF: a) STATE 214239 b) ROME 2391

11. Summary: the Finance Committee of the International Institute for the Unification of Private Law (UNIDROIT) met on October 8 to consider the organization's 2005 budget. A draft resolution on arrears was considered but eventually dropped after lengthy discussion. U.S. did not block consensus on the proposed budget of 1.979 million euros, which represents a 4.2 percent increase over 2004 (assessed contributions for almost all member states, including the U.S., increased only 1.65 percent due to a re-valuation of units of account). As most issues had been resolved in the June committee meeting, very little budget discussion took place. End summary.

12. U.S. Mission rep attended the October 8 Finance Committee meeting. Per ref a) guidance, U.S. made the following points: while we value the organization's work, our policy for international organizations remains zero nominal growth. While we can abide a small increase as a one-time exception to ZNG policy in recognition of the organization's high priority work, we must continue to urge the organization to exercise maximum budget discipline. The U.S. made one of only two interventions on the budget, since most differences had been aired and issues resolved during the June committee meeting. The Canadian delegate made the other budget intervention, echoing the U.S. statement on ZNG and adding a call for private funding of certain projects.

13. A draft resolution on arrears was discussed at some length but eventually dropped, primarily because of a controversial provision that several nations, including the U.S., did not support. That provision stated that if a member nation accumulated five or more years of arrears, its contribution would no longer be included as part of the organization's annual budget calculations. The U.S. (along with the UK, Canada, Japan and Mexico) opposed the provision on several grounds, but primarily because simply eliminating arrears from budget calculations is not an acceptable means of combating non-payment of dues and would send the wrong message to those non-payers.

14. To clarify questions raised in ref a) para 3, nations who have accumulated two or more years of arrears already lose their right to vote in the General Assembly. The possibility of stricter sanctions was considered, but the Secretariat advised against a more harsh type of

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suspension or outright expulsion. The Secretariat argued that it is better to keep as many nations as possible as members and to continue to approach the arrears issue on a case-by-case basis. The committee agreed that a "tool box" approach, or a combination of carrots and sticks, would be best and the resolution was sent back to the Secretariat for additional work. The issue will not be

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formally presented before the General Assembly next month.

15. The SYG appealed once again for a more realistic view by member nations of the resources necessary to keep the organization running and accomplish its goals. Since 1998 the Deputy SYG, who retired on September 30, has worked full-time hours for half-time pay. In addition, all of the SYG's pension costs have been and are being paid by the German university from whom he is on extended leave. Add the depositary function of the Cape Town Convention, a mandatory task for which there have been only voluntary contributions thus far, the SYG argued, and it is easy to see that the current level of activity cannot be sustained by the current level of resources.

16. Comment: Mission wholeheartedly agrees with the SYG's sentiments expressed in para 5. The organization spends

less than two million euros annually and the Department, particularly the Legal Advisor's office, has made no secret of the fact that UNIDROIT's work is not only

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important for U.S. industry, but is a bargain. The Deputy SYG's retirement and interim replacement, the Capetown Convention depositary function, and the need for an electronic document library are all chronicled in ref b) and present additional examples the organization's inability to carry out its core functions at its present level of funding. Given the above, Mission reiterates its previous statement that the organization is worth considering as an exception to the mantra of zero nominal growth.

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